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To the delegates of
the constitutional
nvention



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TO THE DELEGATES OF THE CONSTITUTIONAL CONVENTION.

The Wilmington, Charlotte and Rutherford Rail Road is completed and in running order a distance of 148 miles.

It is graded and substantially ready for the superstructure a distance of some 50 miles further.

It has cost, in gold, or at ante-war prices,	\$3,600,000
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It would cost to-day, in currency,	6,000,000
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This \$3,600,000 used in the construction and equipment of the Road was obtained as follows:

Amount loaned to the Company by the State of North Carolina:	\$2,000,000
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Amount paid on subscriptions to Capital Stock,	1,200,000
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Amount borrowed since the war, constituting its present floating debt,	400,000
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Total	\$3,600,000
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The \$2,000,000 received from the State was not a donation, nor a subscription, but a *strict loan*.

The State declined to aid this Company, as she had aided the other Rail Road enterprises of the State, by a subscription to its capital stock, and consented only to make a loan to the Company by giving the Company the bonds of the State, and taking from the Company in exchange an equivalent amount of the Bonds of the Company, secured by a mortgage upon the entire property and franchise of the Road. In pursuance of this contract, ratified by various acts of the General Assembly, the State gave the Company \$2,000,000 State Bonds, which were sold and the proceeds expended upon the Road, and the State received in return

\$2,000,000 of the Bonds of the Company, secured by mortgage upon the Road and its entire property.

Soon after the close of the war the Company was obliged to incur a floating debt to replace the equipment, rolling stock, bridges, &c., which had been destroyed by both the Federal and Confederate forces, just preceding the close of hostilities.

To enable the Company to pay this debt and to furnish the means for completing the Road from Wilmington to a junction with the Western North Carolina Road, now in process of construction to Ducktown, in Tennessee, the State, by Act of General Assembly, ratified December 20th., 1866, waived the priority of its mortgage, and permitted the Company to place upon its entire Road, built and to be built, (272 miles in length,) a first mortgage of \$4,000,000, the State reserving to itself "the rights of a second mortgage only."

This first mortgage was executed, recorded and delivered, to LeGrand Lockwood, Joseph Stuart, and Philo. C. Calhoun, Trustees, of the City of New York, and Bonds secured by this mortgage were issued in accordance with its provisions.

At the time this mortgage was executed, it was supposed that these Bonds could be negotiated at fair rates, and means be thus furnished to the Company for paying its debt and prosecuting its work. But the distrust which prevails against all Southern securities, and the anomalous position of North Carolina, financial and political, has rendered it impossible to negotiate the Bonds, either at the North or in Europe, at any price which the Company could afford to accept. All the Bonds, therefore, secured by this first mortgage of \$4,000,000, are in the hands of the Company, except such as are hypothecated for its floating dept.

But, about \$1,200,000 of these Bonds are hypothecated for this floating debt of \$300,000, and the creditors have already notified the Company that they cannot extend the loans when they fall due. Some small amounts have already ma-

tured, other will mature shortly, and almost the entire amount will mature before a new Legislature can possibly assemble under the Constitution to be framed by this Convention. When these loans shall mature, the collaterals which are deposited for their security will be sold in the market, according to law and custom. The Company cannot bid for them, because, if they had the money to buy the collaterals, they would have the money to pay the debt. The public, at large, will not buy them then, for they will not buy them now; and so, they will be bought by the creditors of the Company at such prices as they may choose to pay. In this way, perfectly legitimately, those 1,200,000 dollars of Bonds may become the property of the creditors of the Company in payment of a debt of \$300,000. Without some relief, therefore, these \$1,200,000 first mortgage Bonds are in danger of being sacrificed: and, in the event of a subsequent foreclosure in the Federal Courts, the State would be compelled to lose its entire interest of \$2,000,000, in the Road, to protect it by redeeming these \$1,200,000 of Bonds at their par value.

This result has been produced by the condition of the times, which has embarrassed all of the corporations, as well as the citizens, and the State of North Carolina. To avoid it, the Company asks the State to endorse \$1,000,000 of its first mortgage Bonds, and, as an equivalent for this, the Company proposes to reduce this first mortgage from \$4,000,000 to \$2,500,000, leaving the latter amount only before the second mortgage of the State instead of the whole \$4,000,000 as at present.

The Company does not ask the State to incur any increase of indebtedness by a further issue of Bonds. It only asks for the credit of the State in the endorsement of \$1,000,000 of its Bonds.

The State is simply asked to lend its credit in an indorsement where there is no rational probability, or scarcely possibility, that it will ever hear from it again, for the nett earn-

ings of the Road, in its present unfinished condition, and for the past unprecedentedly disastrous year, were much more than sufficient to pay the interest upon the \$1,000,000 Bonds which it asks the State to endorse.

On the other hand, by so lending its credit, the State cancels \$1,500,000, of the mortgage standing before its own; it saves the \$2,000,000 which it has in the Road from sacrifice; it saves the \$1,200,000 capital stock contributed and paid by the people of North Carolina; and it enables the Company, in the prosecution of its work, to scatter some half million dollars among the people of North Carolina.

Now the important question to be considered is this:—What is the interest of the State in this Road worth? Is it worth saving? Has it been of any value. or is it likely to be?

The answer to this question is that the Company has already paid the State for interest on this loan of \$2,000,000 the sum of \$774,250. According to the report of the Public Treasurer, it has paid the entire amount which has accrued for interest on this loan from the date of the issue, under the act of 1858, down to October 1, 1867, except \$187,500, and against this default of interest the Company has an equitable offset of \$156,000, for iron, which the Company had bought and paid for, but which was seized by authority of the State during the war, against the protest of the Company, and which was used in repairing other roads, and for which the Company has never received a dollar.

It will thus be seen that the Company continued to pay interest to the State long after the State defaulted in the payment of interest on the Public debt. In fact the Company has paid the State for interest on its loan over \$500,000 more than the State has paid in interest upon the Bonds which it gave the Company. It is true this unpaid interest on the State Bonds remains as a debt against the State:—But had the State continued to pay its interest as the Road did, the interest now overdue, and unpaid on the Public

debt, would be reduced to a small and easily manageable sum, and the Company would not then have been reduced to its present embarrassed condition, for, with the Public Faith intact, there would have been no difficulty in negotiating the Company's Bonds.

On the other hand, if the Company had not been obliged to pay this interest to the State, but could have had it to expend upon the construction of the Road ; in other words, had the money received from the State been a subscription to the Capital Stock, as was the case to all the other Roads, instead of a loan, the road would now be, not only unburdened with debt, but would have been constructed nearly or quite to Charlotte.

It will thus be seen that the State has already received from its loan to this Company more than *three-fourths of a million dollars*. There can be no rational doubt that the interest will be as promptly paid in the future, as soon as the industrial prosperity of the State is restored. Can it then be a question whether this loan of \$2,000,000 be worth saving?

This brief statement of facts the President of the Company has felt it his duty to lay before the Convention, and to submit to their action the Ordinance which has been reported by the Committee.

Had it been an ordinary case of legislation which could have awaited the assembling of the Legislature, he would not have intruded it upon the attention of this Convention. But the danger was such, and the exigency so great, that he did not feel at liberty to withhold from the knowledge of the Convention the facts above stated, and, with this statement, he respectfully submits the decision and the responsibility of the subject to the wisdom and discretion of this body, and whatever may be their action, he will receive it in the consciousness of having discharged his full duty, to them and to the State, and to the Corporation he represents, and in the

full belief that this Convention will take such action as an enlightened patriotism, and an honest conviction of duty, shall seem of them to require.

NOTE. A proper enquiry has been made as to whether the \$3,600,000, used in the construction of the W. C. & R. R., has been economically expended. This question, we think, can be most satisfactorily answered.

Of the \$3,600,000, the sum of \$450,000 has been expended in grading, &c., upon that part of the Road still unfinished. Add to this the \$350,000 expended to repair the damage and destruction caused by the war, and we have the sum of \$800,000. This deducted from the \$3,600,000 leaves the cost of the 148 miles completed to be \$2,800,000, or less than \$19 000 per mile.

How does this compare with the cost at which other Rail Roads have been constructed?

By the published report of the Director of the Bureau of Public Statistics at Washington, brought down to the close of the year 1867, we find, in the round numbers, the average cost per mile of the Rail Roads of different States to be as follows:

New England States,	over \$40,000
New York,	nearly 50,000
Pennsylvania,	over 50,000
Illinois,	45,000
Ohio,	42,000
Virginia,	30,000
Tennessee,	35,000
Mississippi,	27,000
Georgia,	22,000
South Carolina,	26,000
Average cost of all the Rail Roads in the United States is nearly	40,000
The Western States U. S. Government Grants to the Pacific Rail Road, for the section crossing the plains,	\$16,000 per mile.
To another section,	34,000 " "
To " "	48,000 " "
To " "	56,000 " "

besides the alternate sections of land through which it passes. Yet the W. C. & R. Rail Road, including real estate, depot buildings, warehouses and equipments of all kinds, has cost less than \$19,000 per mile.

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